

Property Matters Newsletter

Issue 9
January 2026



Mike Blackledge

Associate

01354 652304

mikeblackledge@whitingsllp.co.uk

The November 2025 Budget certainly had a few surprises for landlords, however is this in itself a surprise now for the sector?

Looking back, since 2017 there have been many changes which have greatly affected landlords, whether this relates to the phase in of restrictions for the claim for mortgage interest relief, moving from a 100% allowance to what will be a restricted 22% from April 2026. Of course, this falls into line with the increased levels of taxation, with a 2% increase on profits arising for basic rate, higher rate and additional rate taxpayers. This increase does bring into question the complexity of the UK tax system, and at a recent forum that I attended, I raised the question of the number of tax rates that are soon to be in operation, and the result of totalling all of those rates up was a surprise to everyone attending.

Just looking at Income Tax, property and savings tax and then dividends, there will be 13 different rates which will need to be considered, and my colleague Ben Golding provides further insight as to the effects that some of this will bring.

There has been the abolition of the furnished holiday let regime, which has influenced both capital gains and Inheritance Tax matters for some individuals. In addition, there has been the tightening and abolition of the beneficial capital gains Letting Relief.

One recent announcement by the government in relation to the increased limits from £1 million to £2.5 million for the inheritance tax, agricultural and business relief, together with

the availability of spousal transfer is a welcome move. However, the residential nil rate band of £175,000 remains low, and remains a relief that can be easily lost due to the value of the estate and also through the conditions of the relief, but perhaps most importantly through a reluctance of IHT planning with the main residence.

Wear and Tear Allowance was abolished and, in its place, came the replacement basis, which means that the first purchase of white goods wasn't allowed, but their replacement is.

Finally, we have the introduction of Making Tax Digital for Income Tax, and the increased record keeping and reporting that this will bring. My colleague Richard Alecock provides more details on what will be the biggest change for individuals since the introduction of Self-Assessment last century.

An ongoing topic of discussion has been the pledge to build more houses, and it has been noticed that individuals are now benefiting from this wish, by selling off part of their gardens. As you would expect, this does come with its own complications, and my colleague Shamus Chaplin explains matters further.

Finally, for those that "own mansions", you will be interested to read my colleagues Daniel Walker's words on what this will mean to you if this were to be introduced. It perhaps isn't as harsh as the Window Tax of 1696, but it may have some similar effects upon people's future property purchases.

If you wish to discuss any of the matters covered in this newsletter, please do get in touch with your usual Whitings contact, the author of the article or alternatively your local Whitings office, and we will be happy to help you.

Tax Relief on your Garden



Shamus Chaplin

Tax Senior

01284 752313

shamuschaplin@whitingsllp.co.uk

The Governments pledge to build 1.5 million new homes over their 5 year term in office has seen an increase in property development/planning applications. This movement has seen a rise in homeowners applying for planning permission to develop their gardens. This has prompted the question from many people, “Do I need to pay tax on the sale of my garden, for development?”.

It’s well known that the sale of an individual’s main residence (home) is exempt from Capital Gains Tax (CGT) thanks to a relief called Principal Private Residence Relief (PPR Relief). However, there are certain conditions that need to be satisfied for the relief to cover the capital gain associated with the garden/land connected to the main residence. Legislation states that the grounds must not exceed 0.5 hectares (1.235 acres). This permitted area also includes the site and floor plan of the dwelling. However, certain exemptions to this condition can be argued where the size of the grounds is in keeping with the

character of the property. Another condition is that the grounds must be available to be used by the resident for reasonable enjoyment. This could include ball games, gardening and other recreational uses.

In certain cases, it may therefore be possible for the sale of a garden, for development/planning purposes, forming part of the main residence and satisfying the conditions above, to qualify for PPR Relief. However, the importance of being able to evidence that the grounds were being used as a garden and the timing of the sale of the development plot are crucial in ensuring that a successful claim is made.

There have been many cases where this has been challenged in the first and upper tier tribunals. The conclusions of the cases often come down to subtle technicalities. Where this type of planning has not been successful, it has frequently been because of poor planning/structuring. In one such case, a homeowner was ordered to pay CGT because the development plot had been fenced off as a restricted area and therefore was unable to be used for recreational purposes as a “garden”.

Clearly, this area of taxation can be contentious and is not without challenge. Therefore, it is important that the correct processes and timelines are followed. The Whitings Property Specialists are always on hand to help clients with these matters.



Mansion Tax Explained



Daniel Walker

Manager

01480 470755

danielwalker@whitingsllp.co.uk

In the recent Budget there was the announcement of a new “Mansion Tax” to affect properties in England valued at over £2 million from April 2028, which will allow for the government to assess which properties will actually be liable. It is estimated that around 145,000 properties meet the description of high value and will be affected, with around 80% of these properties being in London and the South East. Unlike Council Tax, the

mansion tax will be paid directly to the Treasury and not local authorities, where it will be used for government spending.

Property valuations will begin during 2026, and the Valuations Office Agency will be targeting the highest bands of F, G and H. Valuations of high-end properties can be complex due to the uniqueness of the properties. It has not been made clear on how these properties will be valued or how often the revaluing will take place. It is also expected that there may be a downward price trajectory of properties around the £2 million price mark. This may lead to a price “bunching” of properties just under the threshold of £2 million in hopes that this will help avoid the surcharge.

It is estimated that the new mansion tax will raise around £400 million in additional taxes per year by 2029-2030 and



tax rate paid will be dependent on the properties value:

Property value	Tax to pay per year
£2 - £2.5 million	£2,500
£2.5 - £3.5 million	£3,500
£3.5 - £5 million	£5,000
Over £5 million	£7,500

The amount of tax paid is expected to rise each year in line with the Consumer Price Index (CPI) rate of inflation.

Unlike Council Tax the new mansion tax will be paid by the owner and not the occupant, as such landlords who own high

value properties will have to pay the extra fees. It is likely that landlords will have no choice but to pass the additional fees onto their tenants through increased rent.

As this tax has just been announced, there are still plenty of specifics that have not been released. We will follow up as more information becomes available.



Making Tax Digital for Income Tax Begins 6 April 2026



Richard Alecock

Associate

01638 712267

richardalecock@whitingsllp.co.uk

What now for Landlords

Making Tax Digital for Income Tax (MTD for IT) will finally begin from 6 April 2026, when it becomes mandatory for landlords and the self-employed whose gross combined is over £50,000 in the tax year to submit quarterly returns to HMRC. The recent Budget brought some important changes in regard to MTD for IT.

Soft landing for MTD for IT

The government has announced that taxpayers joining MTD for IT in April 2026 will not receive penalty points for late submission of their first four quarterly updates. This soft landing will only apply to those in the first year from 6th April 2026 and not those mandated to use MTD for IT from April 2027 and April 2028.

As a reminder taxpayers will still need to submit their quarterly updates before they are able to submit their Self Assessment tax return. This soft landing does not change the Self Assessment tax return late submission penalties which remain unchanged.

Exemptions

The government has announced further deferrals and exemptions from MTD for IT with a one-year deferral for landlords who come within the following tax payers:

- Recipients of trust and estates income
- Taxpayers under a deputyship (as appointed by the Court of Protection) will be permanently exempt from MTD for IT.

Exemptions previously announced are:

- Your age, health condition or disability stops you from using a computer, tablet or smartphone to keep digital records or submit them to HMRC
- You're a practising member of a religious society or order whose beliefs are incompatible with using digital communications
- You cannot get internet access at your home or business because of your location, and cannot get access at a suitable alternative location
- Taxpayers who use the residence, remittance basis etc. (SA109) pages of the Self Assessment tax return will not be required to use MTD for IT until April 2027.

Qualifying Income

One additional small but important updated guidance is the need for taxpayers to check their qualifying income.

The guidance now states that taxpayers should not wait to receive a letter from HMRC to say they need to comply. Instead, they should check their income to see when they are mandated for MTD for IT.

Similarly, accounting periods that are shorter or longer than 12 months HMRC states for income from property (the Self Assessment tax return will not declare start dates), the impetus is on the taxpayer to calculate their income and sign up if they exceed the £50,000 threshold starting 6 April 2026.

Important Tax Changes for Landlords - Effective April 2027



Ben Golding

Assistant Tax Manager

01353 662595

bengolding@whitingsllp.co.uk

From April 2027 landlords will face increased property tax rates. Property income will become subject to rates of 22% (basic rate), 42% (higher rate) and 47% (additional rate). This is an increase of 2% across all tax bands compared to current rates. Finance cost relief will remain and will be restricted to the property basic rate of 22%.

Personal Allowance

While reporting will remain the same, with the introduction of Making Tax Digital from April 2026, one major change is the restriction on how the Personal Allowance can be allocated. From April 2027, it must first be applied to employment, trading or pension income before property income, removing the taxpayer's ability to freely allocate their Personal Allowance how they wish.

A landlord earning £20,000 employment income and £10,000 from property will now have their Personal Allowance allocated against employment income first, leaving property income fully taxable at 22%.

Impact

The 2% increase in the basic rate will represent a 10% relative increase in the tax rate (from 20% to 22%). This change, together with the continued freeze on personal income tax thresholds, means landlords will be pushed into higher tax bands more quickly, further reducing their net income.

For several years, landlords have seen higher operating costs, reduced tax reliefs and increased borrowing rates. These recent changes will therefore not come as good news to those landlords already under pressure. Tenants may also find they are exposed to increased rent driven by these changes,

alongside shortages in available homes should landlords leave the market.

The increased tax burden may make low-yield properties unviable enterprises. While it is unlikely every landlord will choose to sell, it is an option for some who will be frustrated by further measures targeting the sector.

Planning Ahead

For those facing the higher tax burden, it may be prudent to evaluate rent adjustments, which could offset some of the tax impact going forwards or even consider the benefits of incorporation.

Conclusion

Proactive planning for landlords is key. It is clear that landlords should be reviewing their options and ensuring that they are ready for the changes in April 2027.

Please contact us to discuss strategies that are tailored to your circumstances, to ensure that you are in the best position before the changes take effect.



www.whitingsllp.co.uk

Bury St Edmunds Office
Greenwood House, Skyliner Way,
Bury St. Edmunds, Suffolk. IP32 7GY
Telephone: 01284 752313
bury@whitingsllp.co.uk

Ely Office
George Court, Bartholomew's Walk, Ely,
Cambs. CB7 4JW
Telephone: 01353 662595
ely@whitingsllp.co.uk

Kings Lynn Office
Norfolk House, Hamlin Way, Hardwick
Narrows, Kings Lynn, Norfolk. PE30 4NG
Telephone: 01553 774745
kingslynn@whitingsllp.co.uk

March Office
Fenland House,
15B Hostmoor Avenue, March,
Cambs. PE15 0AX
Telephone: 01354 652304
march@whitingsllp.co.uk

Mildenhall Office
Willow House, 46 St. Andrews Street,
Mildenhall, Suffolk. IP28 7HB
Telephone: 01638 712267
mildenhall@whitingsllp.co.uk

Peterborough Office
Eco Innovation Centre, Peterscourt,
City Rd, Peterborough, Cambs. PE1 1SA
Telephone: 01733 564082
peterborough@whitingsllp.co.uk

Ramsey Office
108 High Street, Ramsey,
Huntingdon, Cambs. PE26 1BS
Telephone: 01487 812441
ramsey@whitingsllp.co.uk

St Ives Office
Raleigh House,
14C Compass Point Business Park,
Stocks Bridge Way, St Ives, Cambs. PE27 5JL
Telephone: 01480 468931
stives@whitingsllp.co.uk

St Neots Office
First Floor, Phoenix House, 2 Phoenix Park,
Eaton Socon, St Neots, Cambs. PE19 8EP
Telephone: 01480 470755
stneots@whitingsllp.co.uk

Wisbech Office
12 & 13 The Crescent, Wisbech,
Cambs. PE13 1EH
Telephone: 01945 584113
wisbech@whitingsllp.co.uk



ICAEW
CHARTERED
ACCOUNTANTS

